

**TESTIMONY OF
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THE HOSPITAL OF CENTRAL CONNECTICUT
SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
Monday, March 22, 2010**

SB 484, An Act Concerning The Governor's Revenue Plan

My name is Clarence Silvia and I am President and CEO of The Hospital of Central Connecticut. I appreciate the opportunity to provide testimony concerning **SB 484, An Act Concerning The Governor's Revenue Plan**.

My most important message to you today involves the proposal to impose a Hospital User Tax. We strongly oppose Section 10 of this bill, which imposes a 3¼ percent tax on hospital gross revenues.

The Hospital of Central Connecticut is the focal point for health care services in the central Connecticut region. We provide comprehensive health care services, including inpatient, acute, emergency and outpatient services to the community 24-hours a day, 7-days a week without regard to the ability to pay. Our hospital has a history of providing quality services which the residents of central Connecticut depend on. We are also the largest employer in New Britain and together with our campus in Southington, employ over 2,200 individuals. The communities depend on us, not only for the health care we provide but, for the economic impact we have in the region.

Governor Rell's deficit mitigation plan for 2010 includes massive cuts to hospitals in Connecticut. In total, the proposed reductions will result in a cut of \$8,962,754 for The Hospital of Central Connecticut. This will seriously impact our ability to provide the services the community needs and materially weakens our ability to continue to deliver the quality of care that our patients expect and deserve. To make matters worse, this reduction comes at a time when the hospital is facing a budget deficit of \$6 million for fiscal year 2010. This budget deficit is being driven in large part by a significant increase in Medicaid/SAGA patients to our hospital. However, our concerns regarding the Governor's deficit mitigation plan goes beyond the cuts mentioned above and involves the specific concept of a Hospital User Tax which, as mentioned above, we strongly oppose.

The concept of a Hospital User Tax has been tried before and the results were profoundly disruptive. During the decade when this tax was in force not all the tax dollars were returned to hospitals, the redistribution of the tax dollars was volatile- winners and losers change every year, and state budget goals ended up trumping the needs of hospitals and patients. During the 1990s, prior to its repeal, the Hospital User Tax was constantly changed. The driving force for each change was getting or keeping federal dollars. Initially, the tax was intended as an off-budget pool and assessment, which then morphed into two separate taxes in response to a federal lawsuit. At first, the redistribution formula included all government and uninsured shortfalls; it later excluded Medicare and Medicaid inpatient

shortfalls. And while hospitals originally were required to tell every patient the tax amount, a further change prohibited hospitals from telling anyone the tax existed at all.

Not much has changed since the last time this onerous tax was imposed. A Hospital User Tax must still be redistributive – in other words, some hospitals will get more than they put in while other will get less. Our analysis indicates that more than half of the hospitals in the state will get less under the new proposal.

Hospital finances are fragile enough – and should not be further stressed to balance the state budget. In addition, a tax on health care is counter-intuitive at a time in which the primary goal is to reduce health care costs, not inflate them.

Hospitals like ours need your help at this difficult time, not cuts to our already insufficient funding or the adoption of the flawed concept of a tax on our revenue; a concept which failed in the past.

Congress, as part of the American Recovery and Reinvestment Act, provided Medicaid relief to the states in the form of an increase in the federal match rate. The expressed purpose of the relief was to prevent cuts to Medicaid. Connecticut's relief will total \$1.74 billion over the course of 27 months, resulting from an increase in the match rate from 50 percent to 61.59 percent.

The \$1.74 billion in additional federal Medicaid funding is enough to cover 100 percent of the cost of the increase in Medicaid and SAGA enrollment that has or will occur in state fiscal years 2009, 2010, and 2011, and also provide a nearly \$300 million contribution to the General Fund. Sadly, not one cent of that extra \$1.74 billion is being used to help hospitals cover the increased burden they are experiencing because of the combined 18 percent increase in Medicaid and SAGA enrollment.

Instead of a Hospital User Tax, let's work together and use the enhanced federal Medicaid match for the purpose it was intended: to maintain eligibility and coverage, and make another down payment on bringing provider rates closer to covering the cost of care. In other words, let's help those who need it most and support those providing the help, while at the same time contributing significantly to balancing the state budget.

Thank you for your consideration of my position.